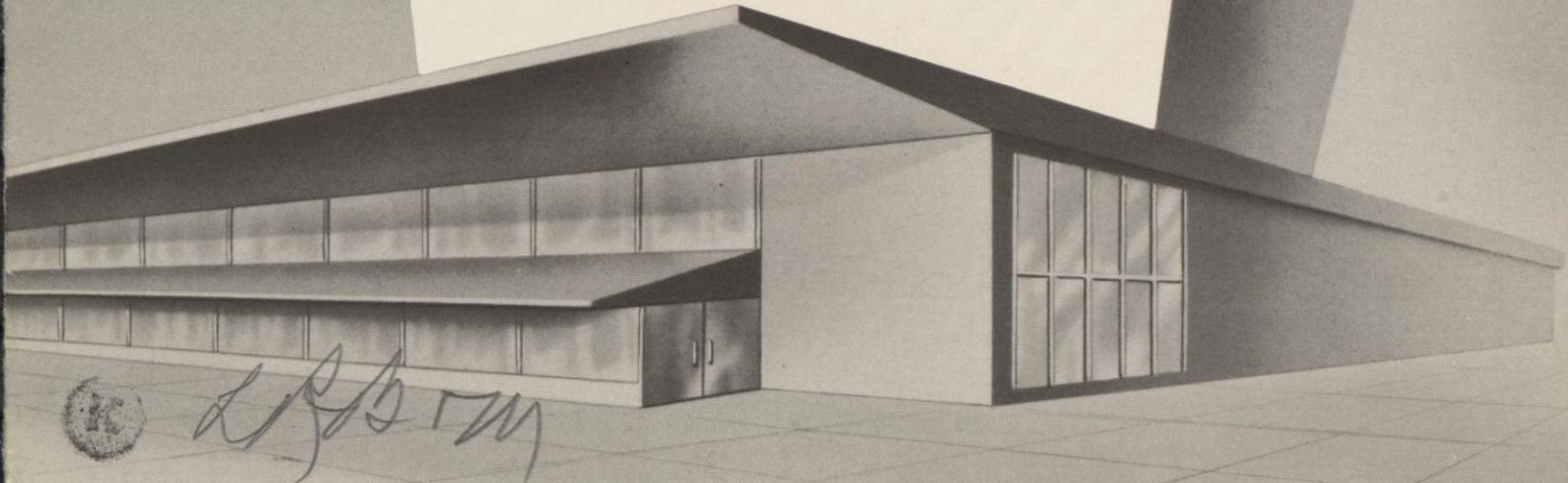


ANNUAL REPORT 1951

**GRAND
UNION
FOOD MARKETS**



LBBM

THE GRAND UNION COMPANY

100 BROADWAY, EAST PATERSON, N. J.

Officers

LANSING P. SHIELD, *President*

HUGH J. DAVERN, *Vice President*

GARLAND MILBURN, *Vice President*

WILLIAM H. PREIS, *Vice President*

LOUIS C. WADMOND, *Vice President*

LLOYD W. MOSELEY, *Secretary*

THOMAS C. BUTLER, *Treasurer*

Directors

THOMAS C. BUTLER

HUGH J. DAVERN

LOUIS A. GREEN

IRVING KAHN

E. CLARK MAUCHLY

GARLAND MILBURN

RAY MORRIS

JOHN E. RAASCH

THOMAS J. SHANAHAN

LANSING P. SHIELD

TRANSFER AGENT

REGISTRAR

The Chase National Bank
of the City of New York
11 Broad Street, New York, N. Y.

Bank of the Manhattan Company
40 Wall Street, New York, N. Y.

HIGHLIGHTS OF THE YEAR

A new record was set with a 1951 sales volume of \$179,395,000.

Eleven large new super markets of the most modern type were opened.

Headquarters moved into new modern building in East Paterson, New Jersey.

Stock Option Plan established for all qualified employees.



THE GRAND UNION COMPANY
EAST PATERSON, N. J.

OFFICE OF THE PRESIDENT

To Our Stockholders:

Record sales of \$179,395,000 were registered for your Company's fiscal year of 1951. Sales volume has more than doubled since 1946. Compared with Grand Union's increase of 115% during these five years, the index of retail food prices has increased 43% while sales of the food industry as a whole have increased 59%.

Earnings for the year 1951 were adversely affected by the government's price control program. For more than a year the Office of Price Stabilization has been reluctant to carry out the intent of the Congress. This agency has denied food retailers historical margins. In the meantime, food distributors have been faced with constantly rising costs of merchandise and materials and have been permitted little means of relief. Consequently, in spite of intensive and successful efforts by your management to reduce expenses, earnings after taxes were \$1,801,358, compared with \$2,181,890 for the preceding year. The earnings per common share, after payment of preferred dividends of \$194,401, amounted to \$2.72. The earnings before such preferred dividends amounted to \$3.05 per share on the common shares outstanding at March 1, 1952, as compared to earnings of \$3.77 per share for the prior year on the common shares outstanding at March 3, 1951.

There were many important developments during the year. These, along with plans for the coming year, will be discussed briefly in this letter.

During the year, the regular dividend of \$1.00 per share on the common stock was maintained. In addition, a special stock dividend consisting of one share of \$50 par value 4½% cumulative preferred stock for every five shares of common was distributed. On April 10, 1952, your Board of Directors declared a special 5% common stock dividend to be distributed on May 29, 1952, to holders of common stock of record at the close of business May 5, 1952.

In late November the Company moved from its congested offices at 50 Church Street, New York, into a new headquarters building located in East Paterson, New Jersey. The Company offices occupy the upper floors of the modern suburban shopping center shown in the aerial photograph on page four. On the first floor is located the Company's finest super market. This is scheduled to open April 30, 1952.

The new offices represent the most modern trends in architecture and office planning. The move from New York to East Paterson was accomplished with a minimum of personnel turnover above the clerk level. Office efficiency has improved as a result of this move. The square foot rental cost of the new offices is only a fraction of the cost for similar space in New York City.

OFFICE OF THE PRESIDENT

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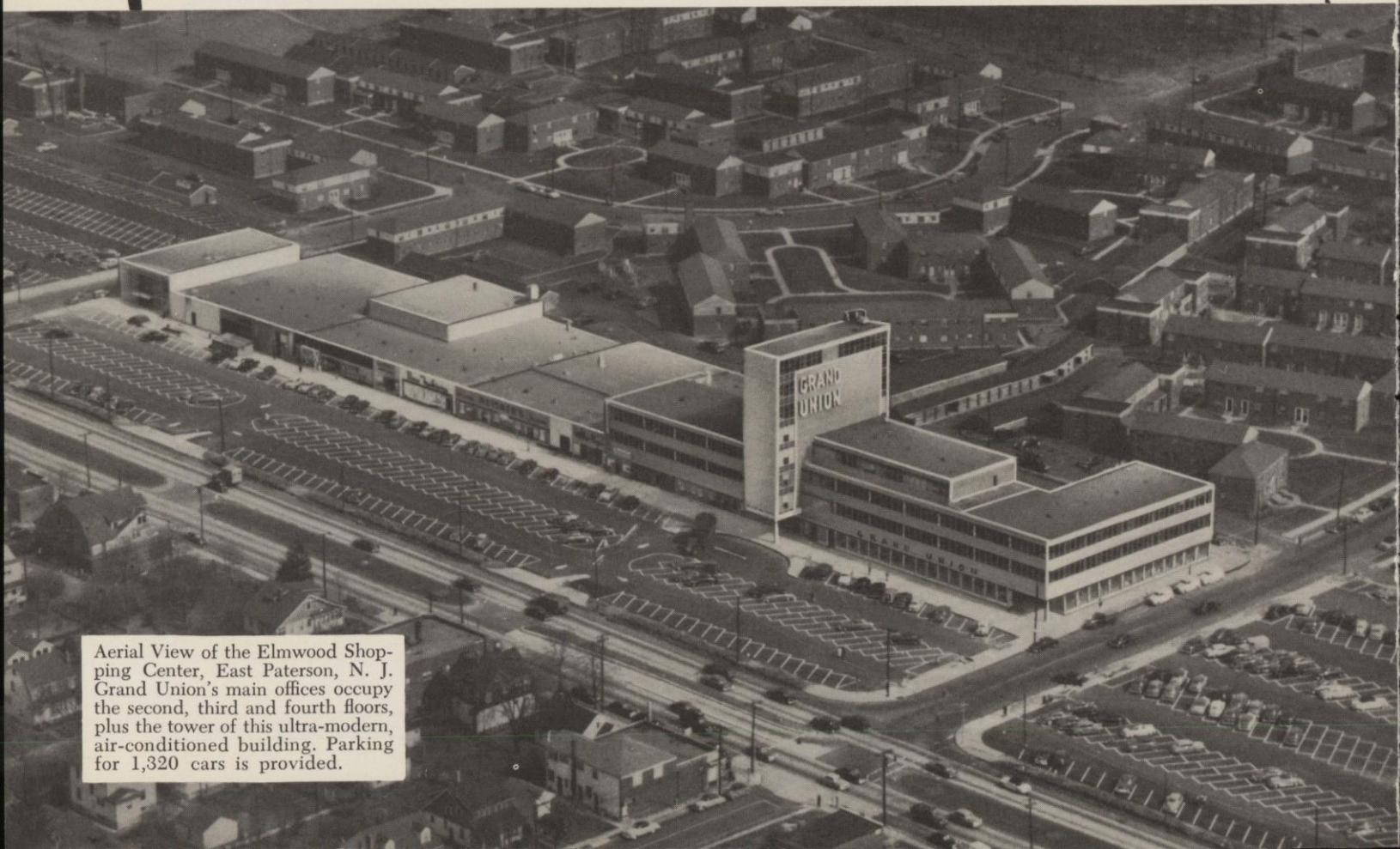
Grand Union continued its expansion program in so far as government regulations controlling construction permitted. During the year the Company opened eleven large new super markets of the most modern type, featuring Food-O-Mat and self-service meat departments.

Over the period of the last fifteen years the type of store opened by the Company has evolved from small stores with short-term leases to large super markets with longer term leases. Because of the substantial leasehold expenses now involved in opening these large markets, beginning in 1951 the leasehold improvements are being amortized over the terms of the leases. Prior to the year just closed all store leasehold expenses were charged off as expense at the time incurred.

In July, 1951, Grand Union acquired, through the issuance of stock, the thirty stores and the warehousing and trucking facilities of Great Eastern Stores, a food chain operating in northern New Jersey. This move considerably strengthened the position of the Company in this rapidly growing area.

During the year, additions were completed to the Company's warehouse in Carlstadt, N. J., serving the metropolitan New York area. With a floor area of some 250,000 sq. ft. (almost six acres on one floor), it is now one of the most modern grocery warehouses in the East. The warehouse was completely renovated, large new produce refrigerators were installed, and new operating methods have been developed. As a result of these improvements, warehouse efficiency is expected to improve during the coming year.

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Aerial View of the Elmwood Shopping Center, East Paterson, N. J. Grand Union's main offices occupy the second, third and fourth floors, plus the tower of this ultra-modern, air-conditioned building. Parking for 1,320 cars is provided.

Consolidated Statement of Income and Earned Surplus

	<i>Fifty-two Weeks Ended Mar. 1, 1952</i>	<i>Fifty-three Weeks Ended Mar. 3, 1951</i>
Net sales	\$179,395,000	\$161,007,128
Cost of sales	148,260,852	130,176,108
Gross profit	\$ 31,134,148	\$ 30,831,020
 Selling, general and administrative expenses:		
Salaries, commissions and bonuses to employees in the sales departments	\$ 15,948,354	\$ 15,255,419
Advertising, delivery and other selling expenses	6,630,910	6,436,530
Rents for retail outlets	1,667,074	1,405,520
Administrative and general expenses	2,160,097	1,816,450
Taxes, other than federal taxes on income	977,213	996,582
Contributions under employees' retirement plan	205,000	225,000
Provisions for bad debts and losses on premiums advanced to customers	226,800	139,852
	<u>\$ 27,815,448</u>	<u>\$ 26,275,353</u>
 Other deductions (including interest expense), net	<u>\$ 3,318,700</u>	<u>\$ 4,555,667</u>
Income before provision for federal taxes thereon	232,342	148,777
Provision for federal taxes on income (including excess profits tax of \$225,000 for the March 3, 1951 period and a \$210,000 reduction thereof for the March 1, 1952 period under the carry-back provisions of the Internal Revenue Code)	3,086,358	4,406,890
 Net income	<u>1,801,358</u>	<u>2,181,890</u>
Earned surplus at beginning of period	7,504,217	7,541,520
	<u>9,305,575</u>	<u>9,723,410</u>
 Deduct, Dividends:		
On Common Stock:		
In cash, \$1 per share	584,497	564,466
In Common Stock (based on market price on record date)	—	1,654,727
In 4½% Cumulative Preferred Stock (Note 3)	5,776,450	—
On 4½% Cumulative Preferred Stock, in cash	194,401	—
Earned surplus at end of period (Note 2)	<u>\$ 2,750,227</u>	<u>\$ 7,504,217</u>

The accompanying notes are an integral part of this statement.

Consolidated Statement of Capital Surplus

	<i>Fifty-two Weeks Ended Mar. 1, 1952</i>	<i>Fifty-three Weeks Ended Mar. 3, 1951</i>
Balance, beginning of period	\$ 1,342,155	\$ 212,738
Add:		
Excess of earned surplus capitalized in connection with stock dividend paid to holders of record May 8, 1950, over the par value of shares issued	—	1,129,417
Excess of market over par value of shares of Common Stock issued to Great Eastern Stores on August 14, 1951, in exchange for that company's assets and assumption of its liabilities	325,407	—
Excess of market over par value of shares of Common Stock issued under employees' stock option plan (Note 4)	325	—
 Balance, close of period	<u>\$ 1,667,887</u>	<u>\$ 1,342,155</u>

The accompanying notes are an integral part of this statement.

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Consolidated*

Assets

	<u>Mar. 1, 1952</u>	<u>Mar. 3, 1951</u>
Current assets:		
Cash	\$ 4,082,554	\$ 4,295,413
Accounts receivable, less allowance for losses: 1952, \$97,805; 1951, \$101,231	1,118,904	1,245,493
Inventories at the lower of cost or market:		
Merchandise	14,104,668	14,335,810
Premiums	993,803	1,338,000
Total current assets	20,299,929	21,214,716
Warehouse and store properties, at cost, less allowance for depreciation: 1952, \$44,057; 1951, \$15,924	2,299,312	1,072,049
Fixtures and equipment, at cost, less allowance for depreciation: 1952, \$3,183,632; 1951, \$2,668,521	7,425,585	6,472,324
Leasehold improvements in stores and offices, at cost, less allowance for amortization, \$46,994 (Note 1)	584,958	—
Premiums advanced to customers, less allowance for losses: 1952, \$151,756; 1951, \$182,806	785,594	891,842
Operating and construction supplies	846,598	865,502
Prepaid expenses, etc.	443,027	351,767
Good will	1	1
	<u>\$ 32,685,004</u>	<u>\$ 30,868,201</u>

The accompanying notes are an in

NOTES TO FINANCIAL STATEMENTS

1. Prior to March 3, 1951, the Company charged the costs of leasehold improvements in stores to expense when incurred. For federal income tax purposes such costs are required to be amortized over the lives of the leases. Effective March 4, 1951, the Company changed its accounting practice to conform with the method required for income tax purposes and commenced to amortize such costs over the lives of the leases. During the fifty-two weeks ended March 1, 1952, the costs of leasehold improvements in stores were \$505,922 (included in the balance sheet amount of leasehold improvements in stores and offices) of which \$45,329 was charged to income through amortization. The provision made for federal taxes on income was not affected by this change.
2. Promissory Notes payable aggregate \$6,000,000 comprising:
 - \$3,500,000 due \$250,000 per annum commencing December 1, 1952 and the balance of \$1,000,000 on December 1, 1962; interest 3% per annum.
 - \$2,500,000 due \$175,000 per annum commencing February 1, 1956 and the balance of \$750,000 on February 1, 1966; interest 3% per annum.

Under certain conditions the notes may be prepaid in whole or in part at the option of the Company, with or without a premium, depending upon the circumstances. The Company has agreed, among other things, that no dividends other than stock dividends shall be paid, if consolidated working capital would thereby be reduced below \$8,000,000 and except out of 75 per cent of the net earnings of the Company after August 26, 1950 less certain stock acquisi-

UNION Company

Subsidiaries Balance Sheets

Liabilities

Current liabilities:	Mar. 1, 1952	Mar. 3, 1951
Bankers acceptances	\$ 883,775	\$ 799,640
Note payable to bank	500,000	—
Portion of Promissory Notes due in one year (Note 2)	250,000	—
Accounts payable, accrued expenses, etc.	7,258,389	6,700,012
Provision for federal taxes on income	1,459,767	2,307,008
Total current liabilities	10,351,931	9,806,660
Promissory Notes payable, less, at March 1, 1952, portion due within one year (Note 2)	5,750,000	6,000,000
Mortgages payable	188,439	164,939
Employees' fidelity deposits	156,254	190,470
Reserve for self-insurance	127,228	76,316
	<u>\$ 16,573,852</u>	<u>\$ 16,238,385</u>

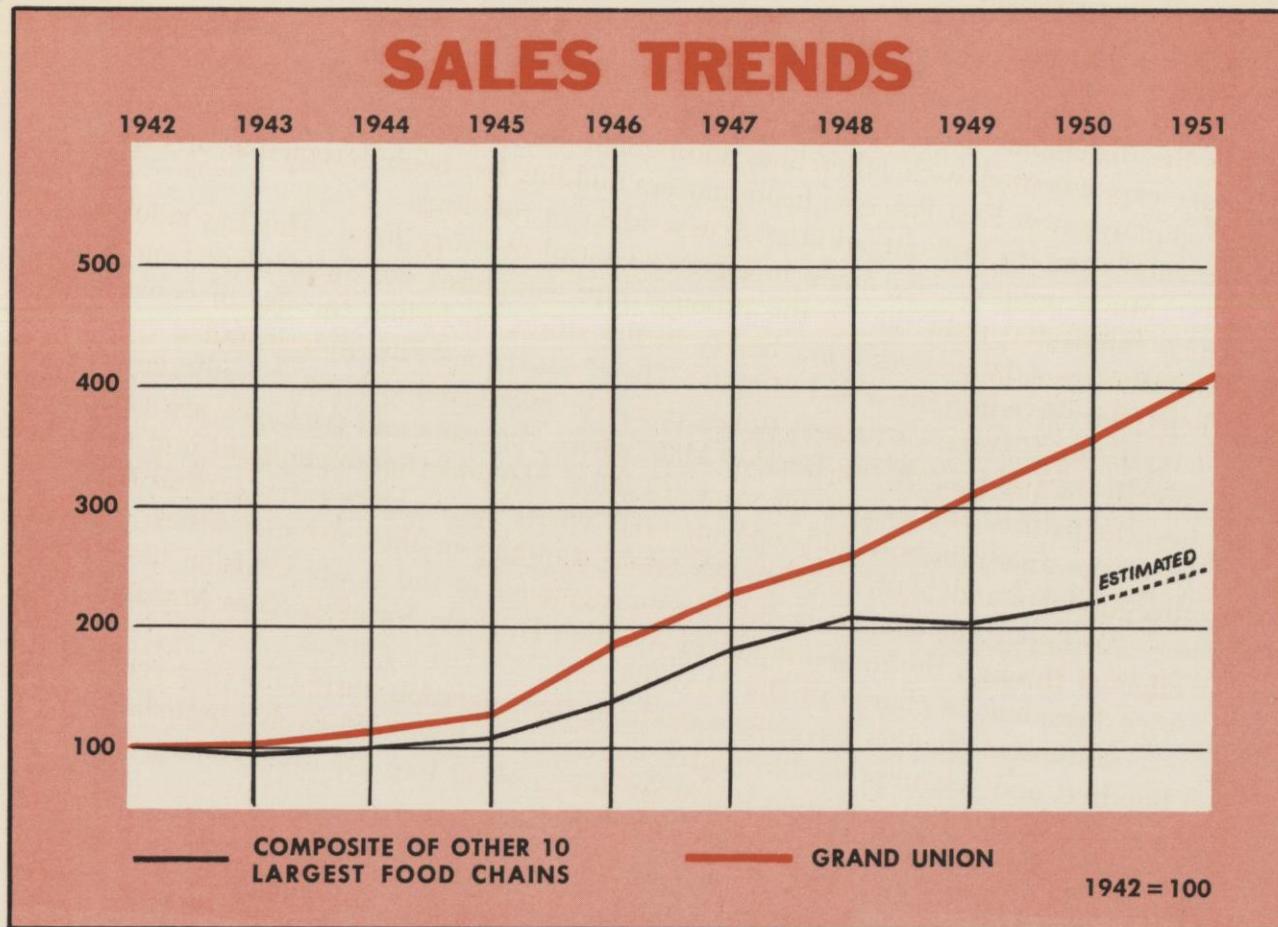
Capital

4½% Cumulative Preferred Stock, \$50 par value, authorized 116,000 shares, issued and outstanding 115,529 shares (Note 3)	\$ 5,776,450	—
Common Stock, \$10 par value, authorized 900,000 shares, issued 592,059 shares (1952); 578,721 shares (1951) (Notes 3 and 4)	5,920,590	\$ 5,787,210
Capital surplus, as annexed	1,667,887	1,342,155
Earned surplus, as annexed (Note 2)	2,750,227	7,504,217
	<u>16,115,154</u>	<u>14,633,582</u>
Less, Treasury Common Stock at cost: 622 shares at March 1, 1952; 613 shares at March 3, 1951	4,002	3,766
	<u>\$ 16,111,152</u>	<u>\$ 14,629,816</u>
	<u>\$ 32,685,004</u>	<u>\$ 30,868,201</u>

Integral part of these balance sheets.

CIAL STATEMENTS

- tions. The unrestricted portion of earned surplus of the Company at March 1, 1952 was approximately \$1,000,000.
- On April 13, 1951, the Company distributed to its holders of Capital Stock a stock dividend of 115,529 shares payable in a newly authorized 4½% Cumulative Preferred Stock, \$50 par value per share. At that time \$5,776,450 was transferred from earned surplus to 4½% Cumulative Preferred Stock account and the former Capital Stock was designated as Common Stock. The Preferred Stock is entitled on redemption, or on voluntary liquidation of the Company, to \$52 per share plus accrued dividends.
 - Under an employees' restricted stock option plan, which became effective July 1, 1951, up to 64,000 shares of Common Stock may be issued to employees of the Company and its subsidiaries at a price per share not less than 85 per cent of the fair market value at the time the option is granted. All options granted expire on or before December 31, 1960. Up to March 1, 1952, options to purchase 52,995 shares had been granted at 95 per cent of market price and 18 shares had been purchased.
 - The Company has 130 leases expiring after February 28, 1955. The minimum annual rentals on such leases aggregate approximately \$1,209,000.
 - Costs and expenses include depreciation and amortization of \$962,736 and depreciation of \$857,720 for the periods ending in 1952 and 1951, respectively.
 - At March 1, 1952, the Company was contingently liable under letters of credit in the approximate total of \$68,000.



Auditors' Report

THE GRAND UNION COMPANY, New York, N. Y.

We have examined the consolidated balance sheets of THE GRAND UNION COMPANY and its Subsidiaries as of March 1, 1952 and March 3, 1951 and the related consolidated statements of income and earned surplus and of capital surplus for the fifty-two and fifty-three week periods, respectively, then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and related statements of income and earned surplus and of capital surplus present fairly the consolidated financial position of THE GRAND UNION COMPANY and its Subsidiaries at March 1, 1952 and March 3, 1951 and the consolidated results of their operations for the respective periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except as to the change in accounting for costs of leasehold improvements explained in Note 1 to the financial statements, which change we approve.

New York, April 18, 1952.

LYBRAND, ROSS BROS. & MONTGOMERY

The Company continued its development of new departments. Already a leader in the development of toiletries and housewares departments, the Company further experimented with other lines throughout the year. The super market in the Company's new East Paterson headquarters building has been designed as an experimental store to test out additional new ideas in retailing.

Much progress was made in expense control at every level. This has resulted in a substantial reduction in the expense rate. Emphasis has been placed on the installation of labor saving machinery in the stores, including the use of conveyor belts for servicing the Food-O-Mats. These conveyor belts, now installed in sixteen of the Company's newest stores, carry the merchandise from the storage area directly to the rear of the Food-O-Mat, where the cans and packages are loaded into the fixture. This system incorporates latest assembly-line techniques and eliminates the annoyances of old-type methods where store clerks carry cartons out to the gondolas and load merchandise while standing in the customer aisles.

An important change in the top management of the Route Division has been effected through the appointment of William H. Preis, formerly Sales Manager, as Vice President in charge of the Division.

Extensive changes have been made in this operation during the past year. One hundred and ten unprofitable routes were closed down and twelve branches were consolidated. Direct operation is now in the hands of four Division Managers and a vigorous sales program has been developed.

continued on next page



Views of Grand Union's new headquarters

OFFICE OF THE PRESIDENT

continued from page 9

At the Annual Meeting of Stockholders last May an employee stock option plan was adopted. Unissued stock, amounting to 64,000 shares (approximately 10% of the total of the stock presently outstanding and reserved for the plan), was reserved for purchase by the employees. Options may be exercised during the five year period following the granting of the option. A very distinctive provision of this stock option plan is that all qualified employees, instead of a few top executives, are eligible to participate. Options were granted to 1,383 employees at a price set at 95% of the market value, and the plan has met with enthusiastic acceptance.

Grand Union is now recognized as one of the leaders in industry in establishing management committees, made up of personnel below the management level in the stores, warehouses, trucking operations, and offices. These committees, meeting on regular schedule, submit recommendations to the top staff on all phases of the Company's operations. This program has been considerably expanded during 1951, and now every employee is represented by a management committee.

The Company's progressive personnel benefit policies of paid vacations, paid sick leave, holidays with pay, group life insurance, hospitalization, and a liberal pension plan, have continued in force during the year. Your management feels this personnel program has produced an efficient and enthusiastic organization and a consequent improvement in operations.

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FRONT COVER

The Route Division's 1952 4-color Catalogue, illustrating over 400 premium values, has recently been distributed to nearly 350,000 Grand Union customers.

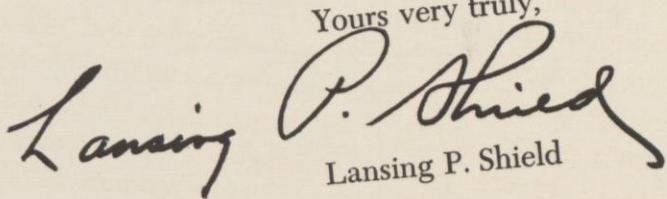
OFFICE OF THE PRESIDENT

During 1952 it is planned to continue the Company's expansion program in so far as government regulations allow and prudence dictates. Additional emphasis will be placed on non-foods departments. The Company's executive training program will be stepped up. Due to the rapid expansion during the last few years the Company is finding numerous important openings for qualified younger men. In 1952 it is expected that an even more thorough control of expenses will be effected.

Despite uncertainties at the national and international level, your management faces the future with confidence and looks forward to a good year in 1952.

I wish to express my sincere thanks to our nearly seven thousand employees for a job well done and my appreciation to our stockholders and directors for their willing help and fine cooperation.

Yours very truly,



Lansing P. Shield

P.S. You will find enclosed an invitation to visit us at our new offices on the occasion of the formal opening of the Elmwood Shopping Center in which our new headquarters and our largest super market are located. We would be very happy to have you with us on this important occasion.



A new shopping center at Great Neck Plaza, Long Island, N. Y. In addition to Grand Union's fine market, the center includes large modern units operated by a national variety chain, a national shoe chain, and a regional drug chain, plus various apparel shops and a suburban branch of one of the country's largest department stores.

